

Midland Expressway Limited

Interim financial statements (unaudited)

for the 6 months ended 31 December 2005

Registered number 2309767

Midland Expressway Limited
Profit and loss account (unaudited)
for the 6 months ended 31 December 2005

	6 months to	12 mths to
	31/12/2005	30/06/2005
	£'000	£'000
Turnover	25,058	42,647
Other operating income	1,021	1,902
	26,079	44,549
Staff costs	(2,140)	(3,871)
Depreciation	(10,715)	(17,338)
Net operating charges	(3,586)	(7,377)
Operating profit/(loss)	9,638	15,963
Interest receivable and similar income	1,452	2,554
Interest payable and similar charges	(22,286)	(45,045)
Loss on ordinary activities before taxation	(11,196)	(26,528)
Tax on loss on ordinary activities	-	-
Loss for the financial period	(11,196)	(26,528)
Dividends	-	-
Loss for the period	(11,196)	(26,528)

Midland Expressway Limited**Balance sheet (unaudited)****as at 31 December 2005**

	31/12/2005	30/06/2005
	£'000	£'000
Fixed assets		
Tangible assets	705,974	713,944
Current assets		
Stock	213	302
Debtors	1,019	1,818
Cash at bank and in hand	54,173	54,832
	55,405	56,952
Creditors: amounts falling due within one year	(6,006)	(8,425)
Net current assets/(liabilities)	49,399	48,527
Total assets less current liabilities	755,373	762,471
Creditors: amounts falling due after more than one year	(823,074)	(818,976)
Net liabilities	(67,701)	(56,505)
Capital and reserves		
Called up share capital	1,470	1,470
Profit and loss account	(69,171)	(57,975)
Equity shareholders' deficit	(67,701)	(56,505)

Midland Expressway Limited
Cash flow statement (unaudited)
for the 6 months ended 31 December 2005

	6 months to	12 mths to
	31/12/2005	30/06/2005
	£'000	£'000
<hr/>		
Operating activities		
Net cash inflow/(outflow) from operating activities	21,475	31,764
Returns on investments and servicing of finance		
Interest paid	1,452	(39,854)
Interest received	(19,839)	2,554
	(18,387)	(37,300)
Taxation		
United Kingdom corporation tax paid	-	-
Capital expenditure		
Purchase of tangible fixed assets	(3,746)	(424)
Net cash outflow before financing	(658)	(5,960)
Financing		
Increase in issued share capital	-	-
Inflows from borrowings	-	46,418
Loans repaid	-	-
Net cash inflow from financing	-	46,418
Increase in cash	(658)	40,458

MIDLAND EXPRESSWAY LIMITED



Management's Discussion and Analysis

Interim

31 December 2005

Interim Management's Discussion and Analysis

The following is a discussion of the results of the operations and the financial position of Midland Expressway Ltd (**MEL** or **the Company**) since opening in December 2003 for the two years of operation to 31 December 2005.

This discussion note should be read in conjunction with the consolidated financial accounts of the Company and the notes annexed thereto for the six month interim period ending December 2005. This is the first Management and Discussion Analysis produced by MEL. Additional information on the Company may be obtained via MEL's website at www.m6toll.co.uk.

The information has been prepared in accordance with UK Generally Accepted Accounting Principles (**GAAP**)

Forward- Looking Statement

The Interim Management discussion and analysis includes views, prospects and statements about anticipated future events or trends and financial and operating results that are projected. Forward looking statements may include words such as believe, could, expect, intend, goal, may, outlook, plan, strive, target and will. These forward looking statements reflect the current internal projections, expectations, future growth, performance and business prospects as well as opportunities to the Company and are based on the management's view as to the information available. Actual results may differ materially as a result of risks and uncertainties that are constantly monitored. Undue reliance cannot be realised on this forward-looking statement, as the management can give no assurances that these developments will be realised. These statements are made as at the date of the report (22 February 2006).

Corporate Background

The M6Toll's origins stretch back to 1980 when the United Kingdom Government realised the need to ease congestion through the West Midlands. In 1991 MEL was awarded the concession to construct and operate the Birmingham Northern Relief Road (currently known as the M6Toll).

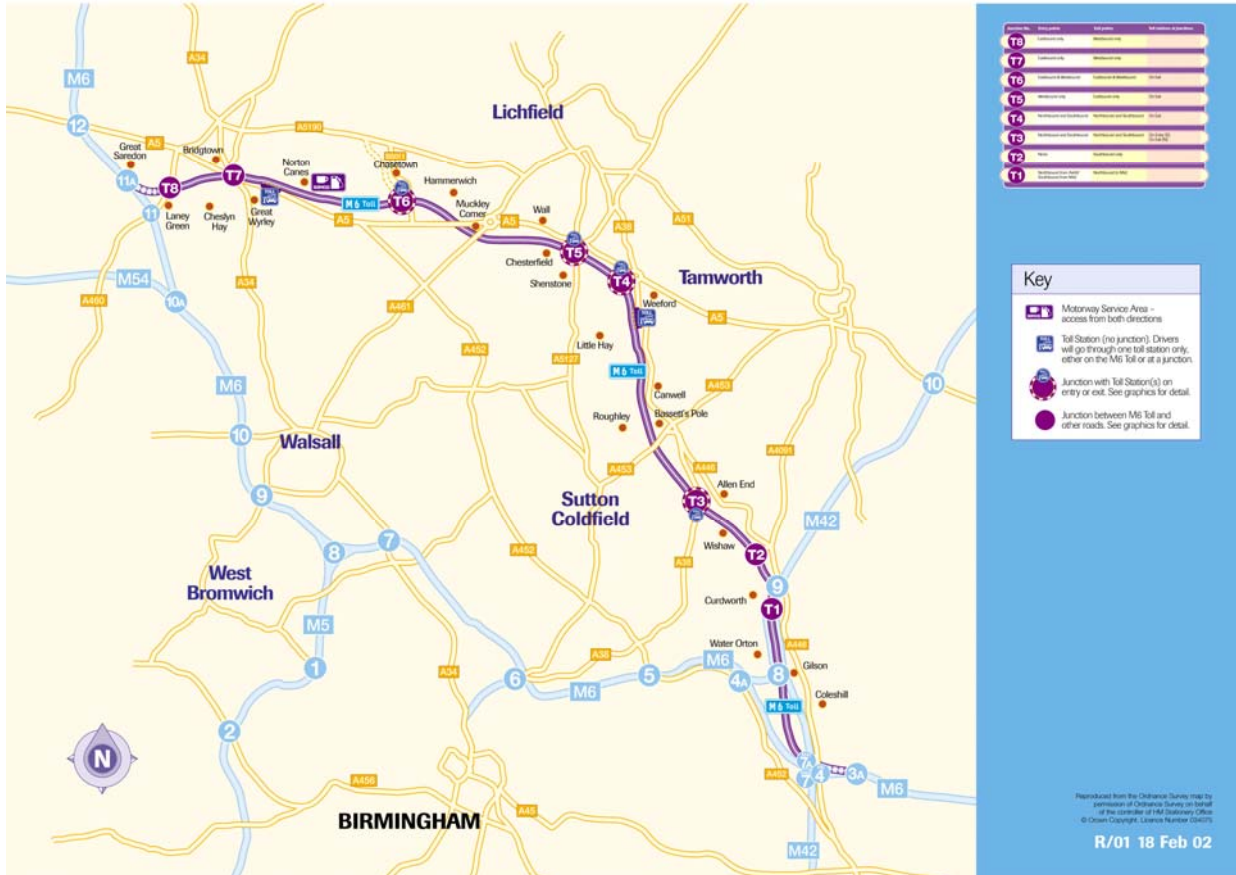
MEL is a private company wholly owned by Macquarie Infrastructure Group (**MIG**). MEL won the concession to design, build and operate the 27 miles (**the concession**) and enjoys the benefit of a 50-year operational concession expiring in January 2054. Under the Concession, MEL has the ability to set tolls based on demand. The tolling regime is governed by UK legislation under the New Road and Street Works Act (**NRSWA**) 1991 and the M6 Toll (Collection of Tolls) Regulations 2003. MEL also has the right to build a motorway service area (MSA) that has been exercised.

The motorway is a vital link in one of the UK's main arterial routes and runs from junction 3a on the M6 and arcs around the north east of the West Midlands rejoining the M6 at junction 11a. The motorway therefore links the M6 with the M42, south of Birmingham and the M6 north of the city while bypassing the congested section of the M6. (See map below).

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M 6 Toll

Route corridor



The road achieved permit to use on 8 December 2003 and was partially open to the public on 9 December 2003 and fully opened on 11 December 2003.

Simultaneously the MSA service facilities were opened on 9 December 2003 with the amenity building and hotel opened in April 2004.

Business Strategy

The Company's Mission

The Company's mission is to provide a reliable free-flowing, value for money service that exceeds customer expectations in bypassing Birmingham, the UK's second largest city. The Company operates the UK's only tolled road and strives to be recognised as the route of choice across the West Midlands. Our vision, in support of our mission, is to operate a high quality motorway, thereby generating strong cash flows while managing costs.

The Company closely aligns itself to the corporate aims of our sole shareholder – Macquarie Infrastructure Group – a highly experienced international toll road operator. We seek to work closely to enhance the performance of the asset and to be an important part of the regional community, and in so doing enhance revenue growth.

Revenue growth is dependent both upon additional future demand and retaining existing customers. Factors that could affect future demand include the volume of residential and business park developments proposed in Staffordshire, the expansion of Birmingham Airport, the likely development of a link from the M6 Toll to the M54, the prospect of a widening of the M6 to the north and active traffic management on the M42. Future growth will also be affected by the pricing policies designed to maintain free flow on the motorway and the development of further services within the MSA.

The Company aims to use innovative practices and appropriate technology to provide a well-maintained, highly efficient, safe and profitable motorway. As the only tolled motorway in the UK, we aim to be recognised as the benchmark UK operator, adopting and leading industry best practice, particularly in areas such as environmental and health and safety management.

Of significant importance is our place in the region and actively participating in its regeneration. We aim to address the needs of our customers, community groups and the environment. Customer-oriented initiatives include the provision of dedicated tag lanes and technological improvements such as online billing. Furthermore, MEL has a policy of working wherever possible with local suppliers and has developed its own locally recruited and well-trained in-house teams.

Standards of Excellence

Compliance with standards ISO 9001 (Quality) and OHSAS 18001 (Health and Safety) has been achieved. MEL is on track to obtain ISO 14001 (Environmental) and Investors in People recognition to provide a solid quality management system.

Key Performance Indicators

Methods available to monitor performance include traffic and revenue against targets (both by total and by class), annual costs against budget, usage per tag, transponder penetration, costs per employee, transaction costs, absenteeism, maintenance, performance, peak time plaza delays and customer satisfaction.

Toll Revenues

MEL management's knowledge and understanding of the customer base is ever increasing. In addition to the M6Toll traffic data, screenline analysis has provided management with extensive knowledge of the traffic patterns in the corridor.

This knowledge base enables MEL management to work closely with expert traffic consultants in preparing budgets and forecasts.

Before the opening of the M6 Toll, the M6 was characterised by extremely high volumes of traffic and unpredictable delays. The M6Toll has provided a quick, reliable, high capacity alternative route for through traffic and, in a secondary role, provides for greater capacity and service on the A5/A38 corridor.

Since opening, the environment in which the M6 Toll operates has changed significantly with increases to toll rates and high levels of road works on competing sections of the M6. These road works inflated the time differential and led to increased adoption of the M6 Toll. This effect was evident during the last two quarters of 2004 when the road works were in operation on the parallel M6.

Operations and Maintenance

The Company has projected the operating and maintenance expenses that will be incurred in the future operation of the M6Toll. Such analysis is inevitably based upon known conditions and market factors. To address this risk MEL has, together with consultants, reviewed and audited both the routine and periodic maintenance regime. As well, management prepares a detailed operating budget in May and November of each year and monitors monthly the level of operating expense against budget codes every month. Each division head is responsible to the CEO for operational expenditure and performance compensation reflects such accountability.

MEL has instituted a regime of periodic inspections to identify maintenance requirements adhering to the Highways Agency Trunk Road Maintenance Manual.

The carriageway pavement condition is assessed on a regular basis in accordance with Highways Agency standards in order to avoid unexpected significant repairs in the future.

The Company continues to outsource some maintenance functions of the toll system. The toll system is operated jointly by MEL and Ascom under a service level agreement that is expected to be renewed before the end 2006.

Current Construction Issues

Disputes with the Contractor

MEL entered into a construction contract with a joint venture of major UK Contractors, CAMBBA. A three-year defect liability period remains in existence, expiring on 8 December 2006, at which time a retention bond is to be released. The final cost of the design and construction contract has not yet been agreed with CAMBBA as a number of issues are under dispute. These matters have been referred through adjudication – full and final decisions are not expected until 2007.

Mitigation Claim

In January 2004, CAMBBA advised MEL of its intention to submit a claim for the cost of mitigating delays to the contract caused by requested changes (delay events). The claim was submitted on 30 November 2004 in the sum of £56 million. No substantiation of this figure has been provided.

By October 2005, MEL's assessment of the claim had found no evidence of claimed mitigating actions in respect of changes. MEL then referred the matter to adjudication.

The Highways Department Agent has not yet assessed those parts of the claim that are ultimately the Highways Agency's responsibility to pay under the Concession Agreement. The Department's claim liability is currently unknown as CAMBBA will not say how the mitigation claim is apportioned.

The adjudicator's decision has not yet been received. The fact that CAMBBA has asked for permission to withdraw the claim and agreed that the adjudicator can decide "*that it currently fails in its entirety*" makes it unlikely that the claim will succeed.

Operations Overview

Motorway Operations and Maintenance

MEL's policy is to self perform all functions that have a direct effect on the level of service provided, which includes the operation and routine maintenance of the toll road infrastructure. A dedicated Motorway Operations team provides 24/7 customer service. Incident Support Units patrol the motorway offering assistance to customers who have broken down or been involved in an incident. Close working relationships have been developed with the Police and the Highways Agency Traffic Officer service to ensure efficient operation of the motorway. MEL has produced contingency plans for major incidents and extreme weather conditions to ensure minimum disruption of service.

MEL's Health and Safety systems ensures compliance with the relevant legislation. Its main aims are to: adopt a system of continuous improvement, set and reach achievable targets, install safe working practices and procedures and improve awareness.

MEL's Environmental Management policy ensures compliance with relevant legislation and ongoing commitments from the construction phase of the project. Its main aims are to: fulfil ecological commitments, prevent pollution from operation and maintenance activities and promote a culture of awareness.

Tolling Operations

In 2005 MEL introduced dedicated Electronic Toll Collection (ETC) lanes at all toll stations. These have proved successful with 90% of ETC customers using these lanes at peak times. The proportion of customers using automated means of toll payment has increased and represented 60% of all transactions by the end of 2005. Automated means comprise ETC, credit and debit card, and automatic coin machine payments, with the average split in use being 8%, 18% and 34% respectively.

Customer satisfaction has been studied through a survey of customer comments. This survey took place in August/September 2005, following which a plan has been implemented to minimise issues that cause confusion and/or dissatisfaction for customers. These issues are mainly related to signage and are being addressed. Ongoing staff training is designed to further enhance the customer service provided.

Innovative shift planning, combined with a system of credit hours, has meant that tolling operations staffing costs have been closely controlled whilst providing a flexible structure for operations. Ongoing training and mentoring has meant that shift accounting accuracy has been enhanced and 70% of all manual shifts have a final result within 50p of the system value (0.03% of an average manual shift's revenue).

MEL plans to further enhance the customer experience by introducing a dedicated tag lane at each mainline toll plaza to increase through-put and efficiency.

Promotion

Local promotions are planned to boost local and weekend traffic and the expenditure allocated to these campaigns will be measured against additional traffic generated. Additional promotions will be made to assist in stimulating seasonal and weekend traffic.

The Company plans to review directional signage to assist customers in making an informed choice. This applies to the Highways Agency network of directional signage and variable message boards. Immediate improvements are being made with MEL contributing funding to the overall agreed network strategy. It is envisaged that this initiative will be completed in the second quarter of 2006.

Systems Operations and Development

Post Opening Improvements

Following opening, with the tolling collection systems (TCS) proving themselves to be reliable and stable, MEL started to look at improvements with a view to increasing efficiency, reducing costs, improving customer satisfaction, adding more functionality, and streamlining the TCS to be in line with operational requirements, as well as to provide additional resilience and redundancy. Examples of these include:

- Changes to lane software to increase throughput and accuracy;
- Web site upgrade such that customers can review their accounts online; and
- Back up “Disaster Recovery Server” added at a remote location.

During the roads works on the M6 during the last two quarters of 2004, queuing for the mainline toll plaza was experienced given the increased level of traffic. The M6Toll was designed using a configuration that provided a wide load lane which routes behind the Toll Station. MEL identified these wide load lanes could effectively be used as additional ETC lanes, with the advantage that their break off points from the main plazas were before the normal queuing for the plaza. MEL upgraded the wide load lanes at the two mainline plazas to become dedicated ETC lanes. This was successful and now 90% of ETC customers use these lanes at peak times.

Other improvements planned for the near future are:

- i) Provision of real time traffic counting data 20km in advance of mainline toll stations to provide Tolling Operations with advance warning of traffic peaks;
- ii) Automatic number plate recognition (ANPR) roll out to all lanes. (Dual system in co-operation with the Police); and
- iii) Adding a Content Management System to the website.

Prior to the Permit to Use date MEL decided that where a system may have a direct effect on the ability to function and/or is cost effective, MEL would perform its own first line maintenance.

As a result, MEL has put in place a 24/7 technical team that can pre-empt and respond to technical problems quickly and efficiently. This team is responsible for many of the upgrades completed so far, and provides a cost effective way to continuously improve systems and service.

Traffic and Revenue

Tolls are seasonal in nature and are influenced by economic conditions, the pricing structure and traffic volumes on the competing routes. The M6Toll directly competes with three other routes crossing the region: M6, A38 and A5. The M6Toll has attracted traffic from these routes and we expect this to continue. Modest traffic growth was experienced on the M6 for several years prior to the opening of the M6 Toll due to capacity constraints. Since opening, growth on the M6 has been in the order of 2% p.a.

Revenue has been driven primarily as a result of the toll increases as depicted in Figure 2.

Figure 2

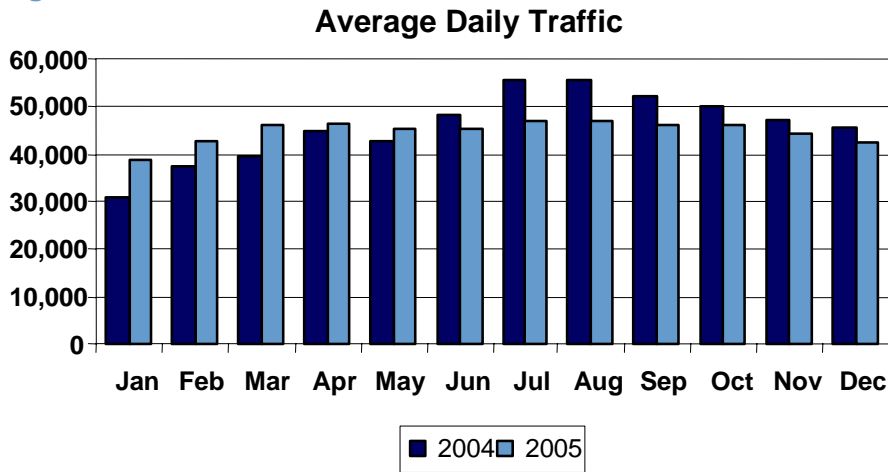
Summary	6 Months to June '04	6 Months to Dec '04	6 Months to June '05	6 Months to Dec '05
Total Traffic	7,369,663	9,373,182	7,980,186	8,364,163
Average Daily Traffic				
Workdays	43,223	53,537	48,254	49,014
Weekends & Public Holidays	34,505	44,871	35,030	37,327
All Days	40,493	50,941	44,089	45,457
Average Daily Revenue	£85,676	£143,016	£135,351	£162,163
Automatic Penetration Rate	43%	50%	56%	61%
Number of Tags in Circulation	5,599	14,124	20,316	24,369
Unpaid Tolls & Violations	0.05%	0.06%	0.05%	0.09%

1. Total traffic represents the number of vehicles recorded by the Toll Collection System in the period.
2. Average daily revenue is calculated from the gross toll revenue as recorded by the Toll Collection System in the period.
3. Automatic penetration rate is the ratio of automatic payments to total traffic in the period.
4. Tags in circulation are measured at the end of the reporting period based on the number of Tags registered to customers.
5. Unpaid tolls & violations is the ratio of their net value to gross toll revenue in the period.

Average daily traffic volumes in the second half of 2005 were 45,457, some 5,500 (10.8%) below those for the corresponding period in 2004, mainly as a result of road works on the M6 during the last two quarters of 2004 which inflated traffic on M6Toll. Other major road works are planned on the M6 in 2006 and we anticipate there may be additional traffic as a result.

Some price elasticity to toll increases is also reflected in the traffic numbers. This is illustrated in Figure 3 below:

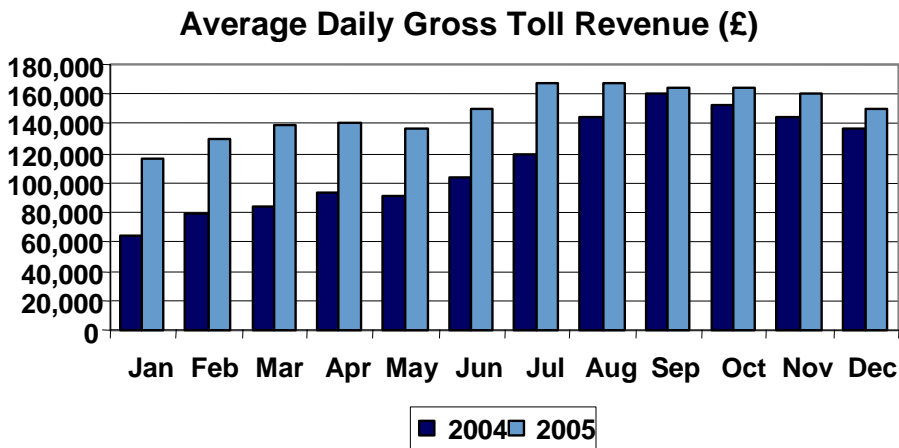
Figure 3



Although traffic volumes were lower in the second half of 2005 compared to the corresponding period in 2004, toll revenues benefited from toll increases in mid June 2005.

The evolution of toll prices since opening is indicated below. Average daily gross toll revenue in the second half of 2005 was more than £162,000, almost £20,000 (13.4%) ahead of the corresponding period in 2004 and £26,000 above the average for January to June 2005. This is illustrated in Figure 4 below.

Figure 4



The key drivers of further revenue growth are: ensuring repeat business, the growth of long distance traffic, conditions on the network, the toll levels and the price elasticity of the market.

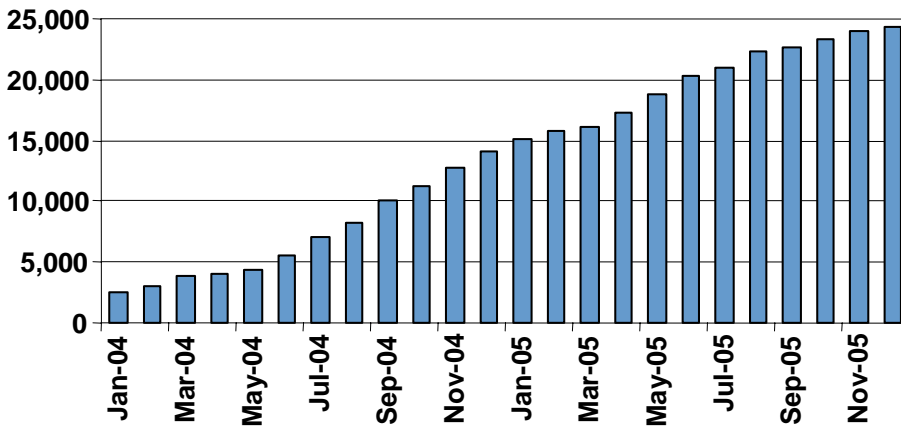
MEL will continue to work with the Highways Agency to foster the development of the M54 link to the M6 Toll. MEL have indicated an interest in constructing this link, which will reduce journey times to the M54 by providing a direct motorway link to the M6 Toll, open up the Shropshire and North Wales catchments and increase capture rates. Other improvements include the Active Traffic Management on the M42 due for completion by Easter 2006. In the longer term, the widening of the M6 north of the M6 Toll or the construction of a new tolled motorway to the north of the M6 Toll (the M6 Expressway which is presently under consultation) will spur further growth. Detrunking of the A5 and A38 is under active consideration by the relevant local authorities.

Electronic Toll Collection (Tag) Transactions

The marketing and sales campaigns since opening have been successful in raising customer awareness of the benefits of a Tag account, and subsequent demand for tags. By December 2005, the number of Tags in circulation had reached almost 25,000 as illustrated in Figure 5.

Figure 5

Number of M6 Toll Tags in Circulation



When toll prices were increased in June 2005, a discount of 5% was introduced for tag account holders, coupled with a monthly tag lease fee of £0.50. These were designed to encourage regular road users to open accounts.

Tag transactions averaged 5,150 per working day in November and early December 2005 (Figure 6), which equates to 10.5% of workday traffic. Tag penetration on workdays is showing continued growth as illustrated at Figure 7 but is lower on weekends and holidays where there is a higher proportion of occasional leisure customers who typically pay by cash.

Although HGV use is low, tag capture rates among HGV users are high. Cash paying HGV drivers use the road only in limited circumstances. Tag penetration is illustrated in Figure 8 for this class. As the M6 becomes more unpredictable and further delays are experienced, HGV usage is expected to increase. Early adopters are those operators that are part of sophisticated logistics operations where time has a recognised value.

In general, customers perceive a high quality service and are in the main long distance, business and recreational traffic.

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Figure 6

Average Workday Tag Transactions

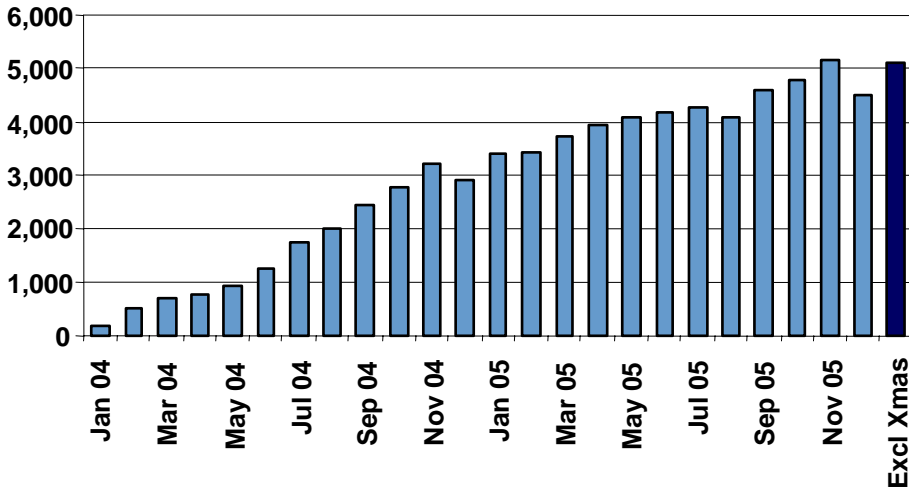


Figure 7

Workday Tag Penetration Classes 2 & 4

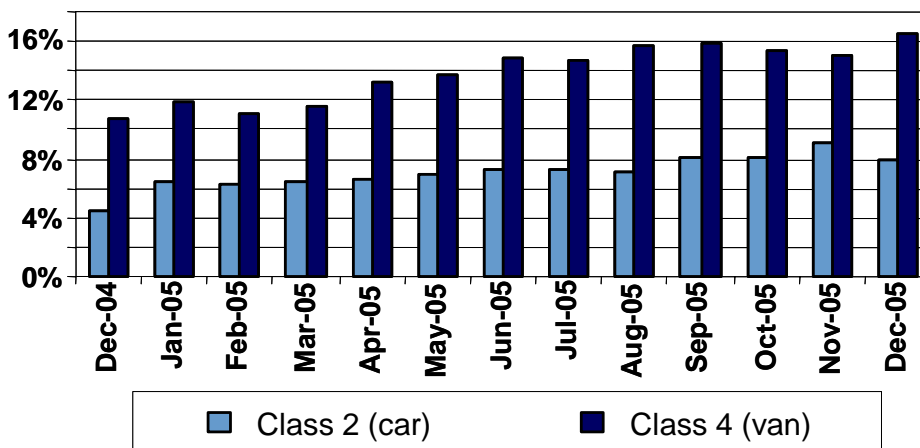
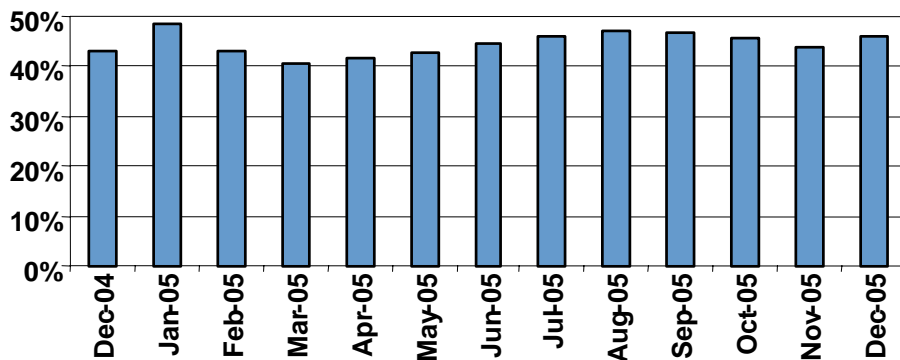


Figure 8

Workday Tag Penetration Class 5 (HGV)



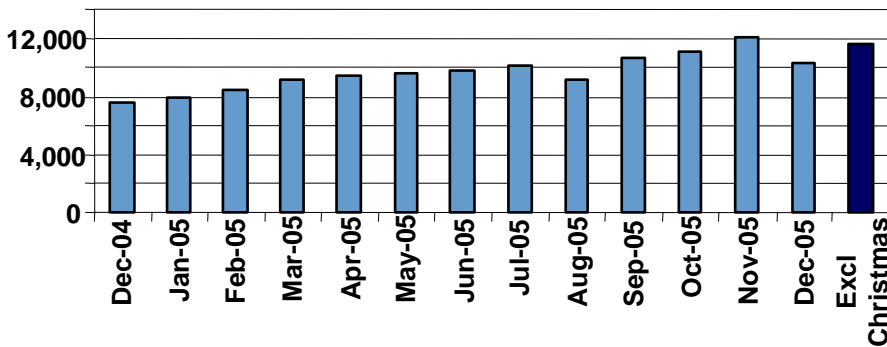
Credit and Debit Card Transactions

The use of credit and debit cards to pay tolls has increased steadily since road opening (Figure 9). In January 2004 they accounted for 5% of workday transactions, by December 2004 this had grown to over 15% and by November and early December 2005 to 25%. Over 12,000 card transactions are now processed on an average work day, and the trend continues to grow.

These results reflect customer satisfaction as to convenience and reliability of the card readers. MEL is adopting a gradual progression approach to stimulate the move from manual cash transactions to automatic cash machines (ACMs) to credit card and tag by educating customers on the benefits of automatic payment. By June 2006, ANPR technology will be available in all lanes, providing MEL with the ability to interrogate this technology to assist in our progression plans.

Figure 9

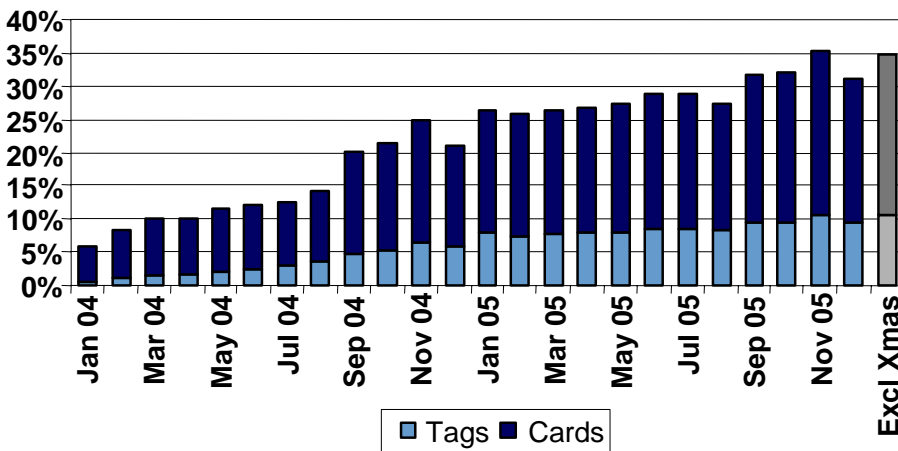
Average Workday Card Transactions



Total non-cash transactions (Tag plus card) now represent 35% or more of workday revenue as shown at Figure 10 below:

Figure 10

Tag & Card Penetration - Workdays



MEL works closely with its card acquirer and processor to ensure the number of charge-backs and transactions declined by card issuers are minimised. Since road opening, these have been progressively reduced, and now represent less than 1% of all card transactions.

Unpaid Tolls & Violations

Customers who use the M6Toll but do not have any means of payment are issued with an Unpaid Toll Report (UTR) which allows them to pay within 48 hours without penalty. The TCS takes an image of all vehicles whose drivers cannot or will not pay, enabling registration numbers of those who do not pay to be sent electronically to the Driver and Vehicle Licensing Agency to obtain registered keeper details for onward enforcement. Levels of unpaid tolls have been low, with the net cost representing less than 0.1% of gross toll revenue.

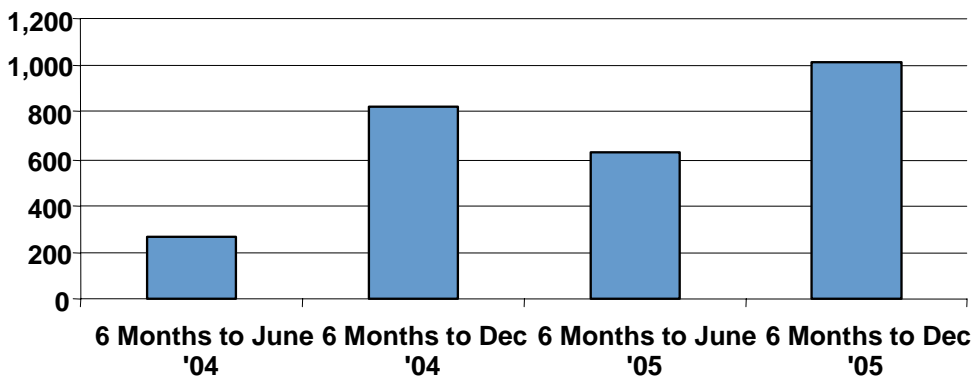
Motorway Service Area Income

The Norton Canes Motorway Service Area (MSA) was designed and constructed to a high specification by MEL at a cost of £13 million. It is operated by RoadChef under a lease arrangement. RoadChef pay a turnover rental which is calculated as a percentage of MSA revenue excluding petrol.

The MSA has been successful, generating rental income to MEL of £1.6 million in its first full year of operation (Figure 13). RoadChef is considering the expansion of the facilities. MEL anticipates that the revenue contribution from the MSA will continue to increase.

Figure 13

MSA Rental Income (£'000)



Results of Operations (£'000)

Revenues (net of VAT) reached £26.1 million in the second half of 2005, an increase of £2.8 million (12.2%) over the corresponding period in 2004 (Figure 14 below). The rise was driven by toll increases and higher MSA rental income.

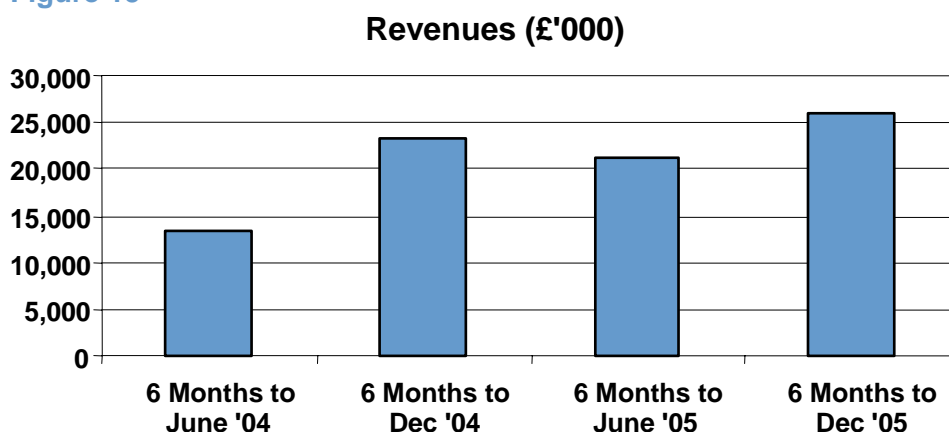
Figure 14

	6 Months to June '04	6 Months to Dec '04	6 Months to June '05	6 Months to Dec '05
Revenue	13,384	23,246	21,303	26,079
Operating Costs	(5,037)	(5,171)	(4,695)	(4,505)
Operating EBITDA	8,347	18,075	16,608	21,574
<i>Operating EBITDA %</i>	<i>62.37%</i>	<i>77.76%</i>	<i>77.96%</i>	<i>82.73%</i>
Construction Administration	-	(561)	(822)	(1,221)
EBITDA	8,347	17,514	15,786	20,353
Depreciation & Amortisation	(6,451)	(7,441)	(10,295)	(10,914)
Interest and Similar Charges	(22,864)	(21,318)	(20,774)	(20,635)
Net Income/(Loss)	(20,968)	(11,245)	(15,283)	(11,196)

Note: Construction Administration is shown separately from ongoing operating costs and represents solely the cost of defending the claims from CAMBBA (see Construction Issues), and is therefore not anticipated to be a recurring cost.

Revenues

Figure 15



The Company anticipates the trend of increasing revenue to continue in 2006 with revenue peaking in the third quarter as a result of seasonality factors and planned road works on the M6.

Operating Costs

To ensure quality of service, MEL has a philosophy of performing many functions in-house rather than outsourcing (Figure 16). This includes road maintenance, toll collection, IT systems maintenance and cash reconciliation.

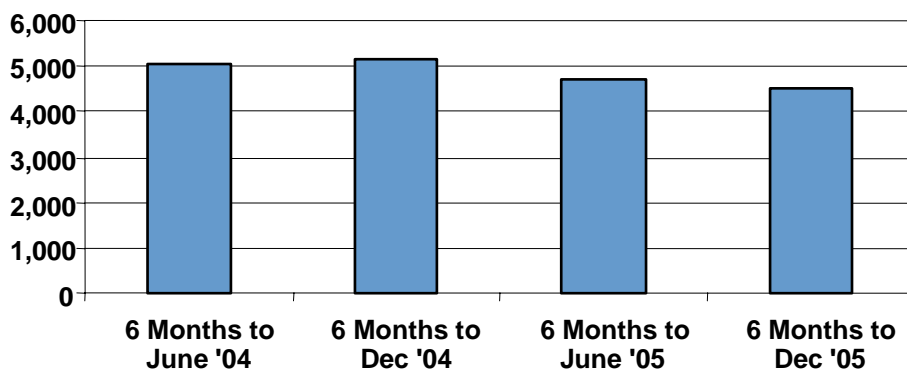
Figure 16

Full Time Equivalent Employees by Department at 31 December 2005	
General Management	3.0
Motorway Operations	32.0
Tolling Operations	75.0
Systems	13.0
Finance	11.5
Personnel & Administration	9.5
Customer Relations	8.5
Construction Administration	3.0
Total Full Time Equivalent Employees	155.5

Operating costs for the six months to December 2005 of £4.5 million compare favourably with the corresponding period in 2004 (£5.17 million), shown at Figure 17 below.

Figure 17

Operating Costs (£'000)



Savings in operating costs have been generated through control of marketing expenditure and use of consultants, bringing more functions (e.g. cleaning and Health & Safety) in-house, lower than anticipated road maintenance costs, close scrutiny of staff requirements and reduced security costs, as can be seen in Figure 18 below. Further cost saving measures are being considered and will be progressively implemented to ensure that operating costs are minimised.

Figure 18

Operating Costs (£'000)	6 Months to June '04	6 Months to Dec '04	6 Months to June '05	6 Months to Dec '05
General Management	854	1,012	633	720
Motorway Operations	675	738	718	761
Tolling Operations	902	791	732	824
Systems	577	561	534	506
Finance & Administration	1,048	1,102	899	874
Customer Relations & Marketing	580	342	668	324
Insurance	401	625	511	496
Total	5,037	5,171	4,695	4,505

Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)

Operating EBITDA grew to £20.35 million in the second half of 2005, an increase of £2.84 million on the corresponding period in 2004 (Figure 19 below). Full year Operating EBITDA was £36.14 million in 2005, an increase of £10.28 million (40%) over 2004.

When expressed as a percentage of revenue, Operating EBITDA has grown from 62.37% in the first half of 2004 to 82.73% in the last half year (Figure 20 below).

Figure 19

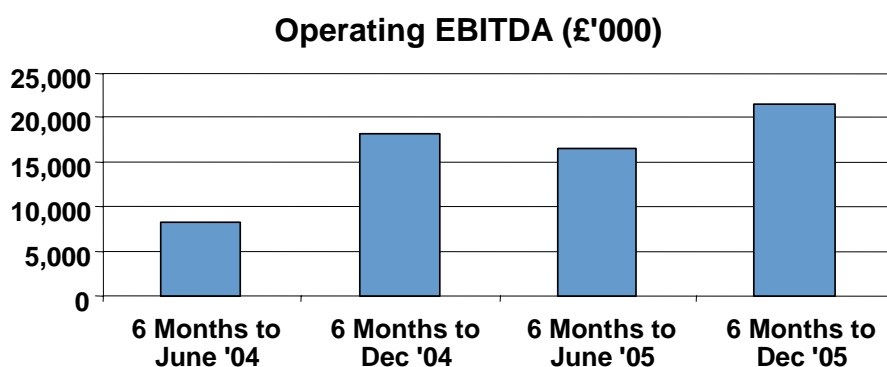
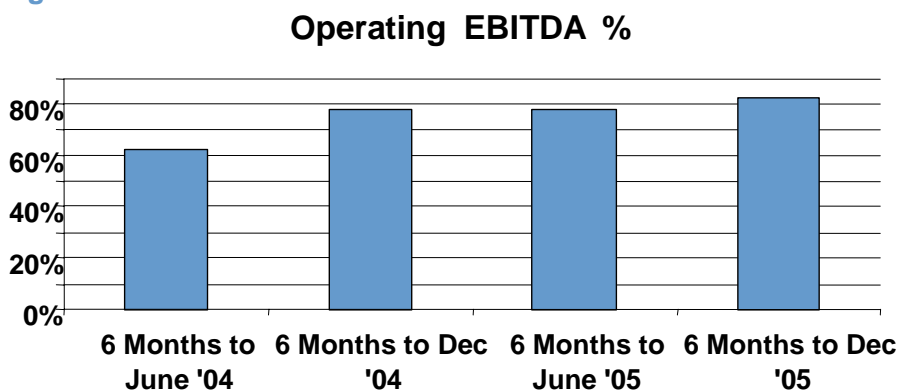


Figure 20



Fixed Assets

Additions to fixed assets in the last six months consisted primarily of road construction costs awarded to the contractor under a court resolution of disputed costs. The other additions of note arose from the continuing development of tolling and IT systems to the sum of £120,000.

Depreciation of the road is based on actual and forecast vehicle usage over the asset life. Depreciation charges reflect the most recent traffic forecasts.

The Land Fund valuation is continually adjusted and remains within budget. The settlement of Part 1 compensation claims by the Highways Agency has progressed at a slower rate than expected.

Current Liabilities

Current liabilities comprise unpaid contractor, supplier and payroll costs plus VAT due for the last three months. Accruals for interest were extinguished by settlement at the end of December 2005.

Balance Sheet

The Balance sheet is shown at Figure 21 below.

Figure 21

Summary (£,000)

	Jun-04	Dec-04	Jun-05	Dec-05
Fixed Assets	727,462	728,034	713,944	705,974
Current Assets	15,778	59,740	56,952	55,405
Current Liabilities	(8,130)	(13,935)	(8,425)	(6,006)
Net Current Assets	7,648	45,805	48,527	49,399
Long Term Liabilities	(619,557)	(669,531)	(673,446)	(677,544)
Net Assets/(Liabilities)	115,553	104,308	89,025	77,829
Shareholders Funds	115,553	104,308	89,025	77,829

Liquidity and Capital Resources

Net cash inflows from operating activities in the six months to 31 December 2005 amounted to £21,667, sufficient to service outflows on financing activities of £18,387. Under the terms of the Facility Agreement the surplus cash balance at 31 December 2005 was transferred to the Debt Service Reserve Account, which has restrictions on usage (Figure 22).

Looking forward, the Company expects to generate sufficient cash from operations to meet all of its ongoing obligations.

The Construction Reserve Account is available for meeting liabilities under the Construction Agreement and was used to fund the additions to construction costs in fixed asset additions.

The Credit Facility is fully utilised and there were no movement in long-term loans over the last six months.

Figure 22

	Jun-04	Dec-04	Jun-05	Dec-05
Debt Service Reserve Account	11,215	16,007	14,070	17,607
Other Bank & Cash Balances	3,159	3,578	644	650
	14,374	19,585	14,714	18,257
Construction Reserve Account	-	36,633	40,118	35,917
	14,374	56,218	54,832	54,174